

LOCAL EMPLOYEE TAX  
RCWs 81.100.030 and 81.104.150

<u>Tax Base</u>	Full-time equivalent employees of all employers, including private firms and governmental agencies, working within the city or county.
<u>Tax Rate</u>	Up to \$2.00 per FTE per month
<u>Levied by</u>	<p>The following local governments, if the tax is approved by the voters:</p> <p>HIGH OCCUPANCY VEHICLE SYSTEMS (RCW 81.100.030): King, Pierce and Snohomish Counties only for high occupancy vehicle systems (e.g., car pooling programs and HOV lanes).</p> <p>HIGH CAPACITY TRANSPORTATION (RCW 81.104.150): Cities, counties, metropolitan municipal corporations, public transportation benefit areas and regional transit authorities if such districts operate high capacity transportation systems (e.g., commuter rail systems). Such jurisdictions may not levy the tax if the county also levies a local employee tax for high occupancy vehicle systems.</p>
<u>Recent Collections</u>	It is not known whether such a tax has been implemented to date.
<u>Administration</u>	The levying jurisdiction may contract with the Department of Revenue or "other appropriate entity" for collection of the tax from employers. Presumably the tax would be collected from the employer.
<u>Distribution of Receipts</u>	Proceeds must be used for local transportation systems.

Exemptions, Deductions and Credits

None specified in law, although the levying jurisdiction may exempt educational, cultural, health, charitable or religious organizations. The HOV tax will not apply: (1) to employees whose employer pays at least 50 percent of a transit pass issued by the jurisdiction, or (2) to employees whose employer has agreed with the county to implement programs designed to reduce the number of single-occupancy vehicles driven to work at their facilities.

## History

Authorizing legislation for the local tax on employees was adopted in 1990.

## Discussion/Major Issues

Currently, the state Departments of Employment Security and Labor & Industries collect taxes from employers based on the amount of wages paid to their employees. Municipal business taxes levied by certain cities are measured by the number of employees. The Department of Revenue has no experience in collecting a tax that is measured by the number of employees.